

Message Text

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ACTION SS-30

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O R 292035Z APR 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 627

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION EC BRUSSELS

AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

C O N F I D E N T I A L SECTION 1 OF 2 BRUSSELS 2567

EXDIS

CARACAS FOR EBERLE

E.O. 11652: GDS

TAGS: ETRD, GATT, EEC, BE

SUBJECT: ARTICLE XXIV:6

REF: STATE 086686

1. SUMMARY: I CALLED ON DAVIGNON, DIRECTOR GENERAL FOR POLITICAL AFFAIRS, FONMIN, APRIL 29, TO MAKE THE POINTS CONTAINED IN REFTEL AND REVIEW THE GENERAL SITUATION. DAVIGNON SAID BELGIANS HAD TWO PROBLEMS: (A) TO KNOW WHAT THE FINAL DEMANDS OF THE AMERICANS WOULD BE, AND (2) A SPECIFIC PROBLEM WITH OUTBOARD MOTORS FOR WHICH THEY WOULD NEED GUARANTEES OF EMPLOYMENT LEVELS BY THE U.S. PARENT COMPANIES FOR CONFIDENTIAL

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THEIR BELGIAN SUBSIDIARIES TO MAKE CONCESSIONS. I

IMPRESSED UPON DAVIGNON THE NEED FOR A QUICK POLITICAL DECISION AND THAT THE PRESENT COMMISSION PROPOSAL WAS NOT SATISFACTORY.

2. IN ACCORDANCE WITH INSTRUCTIONS CONTAINED IN REFTEL, I CALLED ON DAVIGNON, ON APRIL 29, ACCCOMPANIED BY COMMERCIAL ATTACHE GRANT, AND, AT MY REQUEST, CHARGE MYERSON OF USEC. I POINTED OUT TO DAVIGNON THAT WE HAD BEEN ASSURED THAT BELGIUM DESIRED A SATISFACTORY SETTLEMENT TO THE ARTICLE XXIV:6 NEGOTIATIONS AND WOULD MAKE A STRONG EFFORT TO INSURE SUCH A RESULT. FURTHER, THAT FOLLOWING THE APRIL 1-2 EC COUNCIL MEETING THE BELGIAN FOREIGN MIN HAS AGREED, ALONG WITH THE FOREIGN MINISTERS OF THE NINE, TO A LETTER FROM SCHEEL TO SECRETARY KISSINGER STATING THE COMMISSION'S INTENTION TO REACH SUCH A RESULT.

3. I TOLD DAVIGNON THAT UNDER THESE CIRCUMSTANCES IT WAS REGRETTABLE THAT, ACCORDING TO THE INFORMATION WE HAD RECEIVED, THE BELGIAN EC PERMREP HAD ENTERED STRONG RESERVATIONS EVEN TO THE COMMISSION'S LATEST PROPOSAL AND THAT THIS OPPOSITION SEEMS TO CENTER ON MARINE ENGINES AND OUTBOARD MOTORS, DUMPER TRUCKS AND ON CERTAIN EXCAVATING EQUIPMENT, I.E., SCRAPERS. I SAID THAT EVEN THE PROPOSALS OF THE COMMISSION WERE NOT SUFFICIENT TO MEET U.S. REQUIREMENTS AND THAT THERE WAS AN URGENT NEED FOR A POLITICAL SETTLEMENT. I NOTED THAT THE SITUATION WAS BEING WATCHED CAREFULLY IN WASHINGTON AT THE CABINET LEVEL AND THAT IT WAS EXTREMELY IMPORTANT TO REACH A PROMPT AND SATISFACTORY SETTLEMENT.

4. DAVIGNON STATED IT WAS TRUE THAT BELGIUM WANTED A SOLUTION TO THESE NEGOTIATIONS. HE WONDERED, HOWEVER, IF ALL THIS EXERCISE WERE NECESSARY AS THE U.S. WOULDN'T ACCEPT THE COMMISSION PROPOSAL ANYWAY AND THAT THIS WAS NOT AN ENCOURAGING SIGN. HE SAID THAT IF HE COULD TELL HIS COLLEAGUES IN THE BELGIAN GOVERNENT THAT THIS WAS THE FINAL STAGE OF THE NEGOTIATIONS, HE COULD POSSIBLY GET MOVEMENT; BUT THAT IF THESE NEGOTIATIONS WERE ONLY TO LEAD TO ADDITIONAL NEGOTIATIONS AND DEMANDS FOR CON-
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CESSIONS, IT WOULD BE VERY DIFFICULT. IN THE CURRENT ECONOMIC SITUATION WITH GROWING PROBLEMS OF UNEMPLOYMENT THE QUESTION BECAME A VERY DELICATE ONE IN BELGIUM.

5. DAVIGNON THEN STATED THAT THE TOUGHEST PROBLEM FOR BELGIUM AT THE PRESENT TIME WAS OUTBOARD MOTORS. THE OUTBOARD MARINE PLANT IN BRUGES EMPLOYED 1,000 PERSONS AND THE MERCURY MARINE PLANT IN LIEGE EMPLOYED 500.

THESE PLANTS EXPORT 88 PERCENT OF THEIR OUTPUT TO OTHER COMMON MARKET COUNTRIES. THE BELGIANS FEAR THAT U.S. INTEREST IN THIS PRODUCT CATEGORY STEMS FROM THE U.S. PARENT COMPANIES AND THAT A REDUCTION IN TARIFFS WOULD LEAD TO A REORIENTATION OF COMPANY POLICY-- RESULTING IN INCREASED SUPPLY OF THE COMMON MARKET BY DIRECT EXPORTS FROM U.S. PLANTS AND A CORRESPONDING REDUCTION IN THE OUTPUT OF BELGIAN SUBSIDIARIES.

6. DAVIGNON SAID THAT BELGIUM COULD LIVE WITH INCREASED COMPETITION IN A GROWING MARKET BUT NOT WITH A CHANGE IN POLICY WHICH WOULD LEAD TO UNEMPLOYMENT IN BELGIAN PLANTS. HE POINTED OUT THAT IT WAS INCONCEIVABLE THAT IN THE CURRENT POLITICAL SITUATION A MINORITY GOVERNMENT WITH SOCIALIST OPPOSITION WOULD MAKE AS ITS FIRST DECISION A CONCESSION TO THE U.S. WHICH WOULD LEAD TO UNEMPLOYMENT IN BELGIUM. THIS COULD HAVE THE CONSEQUENCE, HE ADDED, OF RAISING THE OLD QUESTION OF FOREIGN INVESTMENTS IN BELGIUM WHICH HE DID NOT THINK WE WANTED EITHER.

7. MYERSON POINTED OUT THAT OUTBOARD MOTORS HAD PREVIOUSLY BEEN DISCUSSED IN THE NEGOTIATIONS BUT HAD BEEN PUT IN THE LATEST COMMISSION PROPOSAL WHEN MOST CATEGORIES OF FILM, ANOTHER SENSITIVE PRODUCT TO THE BELGIAN, HAD BEEN TAKEN OUT. ON THE GENERAL POINT, HE SAID THAT U.S. GOVERNMENT POLICY HAS NEVER ENVISAGED AVOIDANCE OF TRADE LIBERALIZATION BECAUSE OF FOREIGN INVESTMENT BY U.S. SUBSIDIARIES. AS TO THE CURRENT DELICATE ECONOMIC SITUATION, HE AGREED CONDITIONS HAD BECOME WORSE IN RECENT MONTHS, BUT EMPHASIZED THAT INABILITY TO SETTLE THE ARTICLE XXIV:6 ISSUE LAST YEAR WAS IN NO WAY THE

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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O R 292035Z APR 74

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EXDIS

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FAULT OF THE U.S. HE NOTED THAT WE HAD SUBMITTED A MORE EXTENSIVE REQUEST IN EARLY JANUARY THAT WAS REDUCED TO A HARD CORE IN THE MARCH 25 EBERLE-SOAMES LETTER. UNFORTUNATELY, THE LATEST COMMISSION PROPOSAL STILL FAILED TO CLOSE THE GAP. WE HAVE MAJOR PROBLEMS WITH ITALY, I.E., TOBACCO AND CITRUS, BUT ALSO NEED SOMETHING MEANINGFUL IN THE INDUSTRIAL FIELD AND WHAT WE ARE BEING OFFERED IS ONLY SYMBOLIC IN SOME CASES.

8. DAVIGNON THEN QUERIED US ON TWO POINTS:(1) THE CURRENT U.S. DUTY ON OUTBOARD MOTORS WHICH THE BELGIANS UNDERSTOOD WERE MUCH HIGHER THAN OF THE EC; AND (2) WHY LOWER DUTIES ON OUTBOARD MOTORS WERE ATTRACTIVE TO CONGRESS UNLESS ONE ASSUMES THAT THE U.S. COMPANIES WERE CONFIDENTIAL

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SEEKING INCREASED SALES FROM U.S. PLANTS AT THE EXPENSE OF THEIR EUROPEAN SUBSIDIARIES. TO CONVINCE THE BELGIAN MINISTRY OF ECONOMIC AFFAIRS AND INDUSTRY, THE BELGIANS REQUIRED A GUARANTEE FROM THE PARENT COMPANIES THAT FOR THE FORESEEABLE FUTURE THEY WILL NOT CHANGE THEIR PRODUCTION POLICY IN A WAY THAT WOULD LEAD TO UNEMPLOYMENT IN BELGIUM. I ASKED ABOUT WABVO AND DUMPERS. DAVIGNON REPLIED THAT ACCEPTING THE COMMISSION'S PROPOSALS WAS NO LONGER A PROBLEM BECAUSE THE BELGIANS UNDERSTOOD THAT THE APPROPRIATE GUARANTEES HAD BEEN OBTAINED FROM U.S. PARENT COMPANY, AMERICAN STANDARD. I THEN ASKED DAVIGNON WHETHER IF SIMILAR GUARANTEES BE OBTAINED FROM THE U.S. PARENT COMPANIES ON OUTBOARD MOTORS, THE BELGIANS BE WILLING TO GO FROM 11 PERCENT TO 8 PERCENT. DAVIGNON REPLIED THAT, ON THIS BASIS, HE COULD GO TO WORK ON THOSE INTERESTED. MYERSON THEN STATED HE HOPED THAT, SINCE THE ARTICLE XXIV:6 ISSUE HAD BEEN RAISED TO THE POLITICAL LEVEL IN THE COUNCIL AND IN THE U.S.,

IT WOULD NOT BE LEFT SOLELY TO THE COMMISSION TO CARRY THE MATTER FORWARD. OUR EXPERIENCE SHOWED THAT ONCE THE COMMISSION MAKES A PROPOSAL, THE MEMBER STATES TEND TO TREAT IT AS AN OUTSIDE LIMIT FROM WHICH ONE CAN RETREAT. I SAID THAT I WANTED TO MAKE IT CLEAR THAT WE NEED HELP TO GAIN GENERAL MOVEMENT BEYOUD THE PROPOSAL THE COMMISSION IS PRESENTLY MAKING.

9. COMMENT: THE QUESTION OF POSSIBLE UNEMPLOYMENT RESULTING FROM A CONCESSION GRANTED BY THE INCOMING MINORITY COALITION GOVERNMENT IS OBVIOUSLY HIGHLY CHARGED POLITICALLY AND RESPONSIBLE OFFICIALS FEEL REQUIRED TO COVER THEMSELVES AGAINST POSSIBLE CRITICISM FROM THE OPPOSITION. UNDER THESE CIRCUMSTANCES, I REQUEST THAT THE AMERICAN COMPANIES BE APPROACHED TO SEE WHETHER THE GUARANTEES REQUESTED BY THE BELGIANS CAN BE OBTAINED. STRAUSZ-HUPE

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